



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
McCREARY COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Jimmie W. Greene, County Judge/Executive
Members of the McCreary County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of McCreary County, Kentucky, as of June 30, 1999, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the McCreary County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

McCreary County, Kentucky prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of McCreary County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1999, in conformity with the cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Jimmie W. Greene, County Judge/Executive
Members of the McCreary County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of McCreary County, Kentucky, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying findings and questioned costs, included herein, which discusses the following areas of noncompliance:

- The Former County Treasurer Should Have Prepared, Presented To The Fiscal Court, And Published His Annual Settlement
- The County Should Have A Written Agreement To Protect Deposits
- The County Should Utilize Budget Amendments
- Federal Emergency Management Agency (FEMA) Officials Should Review The Appropriateness Of Lease Purchase Payments Charged To Disaster Survey Reports (DSRs)

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2000 on our consideration of McCreary County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
March 21, 2000

McCREARY COUNTY OFFICIALS

Fiscal Year Ended June 30, 1999

Jimmie W. Greene	County Judge/Executive
Ralph P. Chaney	County Attorney
Jo Elanie Kidd	County Clerk
Othel King	Circuit Court Clerk
Regal Bruner	Sheriff
Charles Ray Perry	Jailer
Michael Stephens	Property Valuation Administrator
John Crabtree	County Treasurer
Rose Sue Griffith	Coroner
Chester Brook	Magistrate
Ronnie Haynes	Magistrate
Coy Taylor	Magistrate
Judy Redden	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

McCREARY COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1999

Assets and Other Resources

Assets

General Fund:

Cash	\$	40,585
------	----	--------

Road and Bridge Fund:

Cash		9,153
------	--	-------

Jail Fund:

Cash		15,388
------	--	--------

Local Government Economic Assistance Fund:

Cash		13,143
------	--	--------

County Police Fund:

Cash		9,532
------	--	-------

Emergency 911 Dispatch Fund:

Cash		34,660
------	--	--------

SMART Home Program Fund:

Cash		34,200
------	--	--------

SMART Works Fund:

Cash		30,212
------	--	--------

Notes Receivable (Note 4)		249,299
---------------------------	--	---------

Disaster Assistance Fund:

Cash		44,460
------	--	--------

Stearns Historical Area Development Authority Fund:

Cash		2,190
------	--	-------

Tourism Commission Fund:

Cash		5,958
------	--	-------

Sandhill Conservation Camp Fund:

Cash		1,046
------	--	-------

McCreary County Airport Board Fund:

Cash		727
------	--	-----

Investments		31,174
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Solid Waste Management Board Fund:

Cash		18,156
------	--	--------

Kentucky Area Development District Financing Trust-

McCreary County Courthouse Construction Accounts		121,285
--	--	---------

Kentucky Association of Counties Leasing Trust-

KACO/McCreary County Acquisition Accounts:

911 Equipment		24,432
---------------	--	--------

Road Equipment		6,035
----------------	--	-------

Advanced Life Support (ALS) Equipment		13
---------------------------------------	--	----

The accompanying notes are an integral part of the financial statements.

McCREARY COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 1999
 (Continued)

Assets and Other Resources (Continued)

Payroll Account - Cash	\$ 15,060
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Other Resources

General Fund:

Amounts to be Provided in Future Years for Kentucky Association of Counties Leasing Trust Agreement Principal (Note 7A)	99,755
--	--------

Road Fund:

Amounts to be Provided in Future Years for Road Garage Capital Lease Principal (Note 7B)	135,000
---	---------

Jail Fund:

Amounts to be Provided in Future Years for Jail Capital Lease Obligations - Bond Principal Payments (Note 6)	245,488
---	---------

Emergency 911 Dispatch Fund:

Amounts to be Provided in Future Years for Kentucky Association of Counties Leasing Trust Agreement Principal (Note 7C)	263,000
--	---------

Stearns Historical Area Development Authority Fund:

Amounts to be Provided in Future Years for Loan Principal Payments (Note 5A)	339,474
--	---------

Solid Waste Management Board Fund:

Amounts to be Provided in Future Years for Loan Principal Payments (Note 5B)	27,963
--	--------

Kentucky Area Development District - Courthouse Construction

Amounts to be Provided in Future Years for Principal Payment	500,000
--	---------

Total Assets and Other Resources	<u>\$ 2,317,388</u>
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Liabilities and Fund Balances

Liabilities

General Fund - Kentucky Association of Counties

Leasing Trust Agreement Principal (Note 7A)	\$ 99,755
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Road Fund:

Road Garage Capital Lease Obligation Principal (Note 7B)	135,000
--	---------

Jail Fund:

Capital Lease Obligation - Bond Principal Payments (Note 6)	245,488
---	---------

Emergency 911 Dispatch Fund - Kentucky Association of Counties

Leasing Trust Agreement Principal (Note 7C)	263,000
---	---------

SMART Works Fund:

Deferred Revenue (Note 4)	249,299
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McCREARY COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 1999
 (Continued)

Liabilities and Fund Balances (Continued)

Kentucky Area Development District	
Financing Trust Lease Agreement -	
Interim Courthouse Financing Principal (Note 7C)	\$ 500,000
Stearns Historical Area Development Authority Fund:	
Note Payable Principal (Note 5A)	339,474
Solid Waste Management Board Fund:	
Revolving Loan Principal (Note 5B)	27,963
Payroll Account	15,060

Fund Balances

Reserved:

County Police Fund	9,532
Emergency 911 Dispatch Fund	34,660
SMART Home Program Fund	34,200
SMART Works Fund	30,212
Disaster Assistance Fund	44,460
Stearns Historical Area Development Authority Fund	2,190
Tourism Commission Fund	5,958
Sandhill Conservation Camp Fund	1,046
McCreary County Airport Board Fund	31,901
Solid Waste Management Board Fund	18,156
Kentucky Area Development District (KADD) Financing Trust-	
McCreary County Courthouse Construction Accounts	121,285
Kentucky Association of Counties Leasing Trust-	
KACO/McCreary County Acquisition Accounts:	
911 Equipment	24,432
Road Equipment	6,035
Advanced Life Support Equipment	13

Unreserved:

General Fund	40,585
Road Fund	9,153
Jail Fund	15,388
Local Government Economic Assistance Fund	13,143

Total Liabilities and Fund Balances	<u>\$ 2,317,388</u>
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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

McCREARY COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 4,056,087	\$ 1,425,092	\$ 1,108,706	\$ 210,310
Transfers In	992,121	201,651	89,379	209,510
Borrowed Money	234,516	140,000		
Kentucky Advance Revenue Program	905,875	503,310	402,565	
Lease-Purchase Proceeds	766,755			
Total Cash Receipts	<u>\$ 6,955,354</u>	<u>\$ 2,270,053</u>	<u>\$ 1,600,650</u>	<u>\$ 419,820</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 4,025,320	\$ 1,456,131	\$ 702,859	\$ 403,627
Schedule of Unbudgeted Expenditures	1,044,152			
Transfers Out	992,121	187,908	555,851	
Kentucky Association of Counties Leasing Trust - Principal Payments	113,864		20,000	
Kentucky Area Development District Financing Trust - Principal Payment				
Borrowed Money Repaid	239,198	140,000		
Jail Capital Lease Obligations - Bond Principal Paid	8,307			8,307
Kentucky Advance Revenue Program Repaid	905,875	503,310	402,565	
Revolving Loan Principal Payments	5,474			
Total Cash Disbursements	<u>\$ 7,334,311</u>	<u>\$ 2,287,349</u>	<u>\$ 1,681,275</u>	<u>\$ 411,934</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (378,957)	\$ (17,296)	\$ (80,625)	\$ 7,886
Cash Balance - July 1, 1998 *	<u>821,306</u>	<u>57,881</u>	<u>89,778</u>	<u>7,502</u>
Cash Balance - June 30, 1999 *	<u>\$ 442,349</u>	<u>\$ 40,585</u>	<u>\$ 9,153</u>	<u>\$ 15,388</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

McCREARY COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 1999
(Continued)

Local Government Economic Assistance Fund	County Police Fund	Emergency 911 Dispatch Fund	Sewer and Water Conservation Fund	Enterprise Community Grant Fund	SMART Home Program Fund
\$ 79,242 13,000	\$ 17,032	\$ 224,205	\$ 222,842	\$ 132,259	\$ 34,200
\$ 92,242	\$ 17,032	\$ 224,205	\$ 222,842	\$ 132,259	\$ 34,200
\$ 3,885	\$ 7,500	\$ 190,198	\$ 222,842	\$ 246,407	\$
105,983		37,000			
4,516					
\$ 114,384	\$ 7,500	\$ 227,198	\$ 222,842	\$ 246,407	\$ 0
\$ (22,142) 35,285	\$ 9,532 0	\$ (2,993) 37,653	\$ 0 0	\$ (114,148) 114,148	\$ 34,200 0
\$ 13,143	\$ 9,532	\$ 34,660	\$ 0	\$ 0	\$ 34,200

McCREARY COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1999
 (Continued)

	SMART Works Fund	Disaster Assistance Fund	Stearns Historical Area Development Authority Fund	Tourism Commission Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 42,170	\$ 435,961	\$ 39,082	\$ 1,245
Transfers In		467,200		11,381
Borrowed Money		70,000		
Kentucky Advance Revenue Program				
Lease-Purchase Proceeds				
Total Cash Receipts	<u>\$ 42,170</u>	<u>\$ 973,161</u>	<u>\$ 39,082</u>	<u>\$ 12,626</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 21,410	\$ 770,461	\$	\$
Schedule of Unbudgeted Expenditures			34,169	11,427
Transfers Out		142,379		
Kentucky Association of Counties				
Leasing Trust - Principal Payments				
Kentucky Area Development District				
Financing Trust - Principal Payment				
Borrowed Money Repaid		70,000	4,682	
Jail Capital Lease Obligations -				
Bond Principal Paid				
Kentucky Advance Revenue Program				
Repaid				
Revolving Loan Principal Payments				
Total Cash Disbursements	<u>\$ 21,410</u>	<u>\$ 982,840</u>	<u>\$ 38,851</u>	<u>\$ 11,427</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 20,760	\$ (9,679)	\$ 231	\$ 1,199
Cash Balance - July 1, 1998 *	<u>9,452</u>	<u>54,139</u>	<u>1,959</u>	<u>4,759</u>
Cash Balance - June 30, 1999 *	<u>\$ 30,212</u>	<u>\$ 44,460</u>	<u>\$ 2,190</u>	<u>\$ 5,958</u>

* Cash Balance Includes Investments

McCREARY COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1999
 (Continued)

Sandhill Conservation Camp Fund	McCreary County Airport Board Fund	Solid Waste Management Board Fund	KADD Courthouse Construction Accounts
\$ 5,182	\$ 2,814	\$ 64,154	\$ 2,690
4,516		20,000	
			200,000
<u>\$ 9,698</u>	<u>\$ 2,814</u>	<u>\$ 84,154</u>	<u>\$ 202,690</u>
\$ 9,103	\$ 1,695	\$ 52,474	\$ 218,120
		20,000	
		5,474	
<u>\$ 9,103</u>	<u>\$ 1,695</u>	<u>\$ 77,948</u>	<u>\$ 218,120</u>
\$ 595	\$ 1,119	\$ 6,206	\$ (15,430)
451	30,782	11,950	136,715
<u>\$ 1,046</u>	<u>\$ 31,901</u>	<u>\$ 18,156</u>	<u>\$ 121,285</u>

McCREARY COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Kentucky Association of Counties Leasing Trust			
	Acquisition Accounts			
	911 Equipment Account	Road Equipment Account	ALS Equipment Account	Voting Machines Account
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 5,702	\$ 2,525	\$ 674	\$
Transfers In				
Borrowed Money				
Kentucky Advance Revenue Program				
Lease-Purchase Proceeds				
		340,000	127,000	99,755
Total Cash Receipts	\$ 5,702	\$ 342,525	\$ 127,674	\$ 99,755
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$	\$	\$	\$
Schedule of Unbudgeted Expenditures	210,122	279,626	127,661	99,755
Transfers Out				
Kentucky Association of Counties Leasing Trust - Principal Payments				
Kentucky Area Development District Financing Trust - Principal Payment		56,864		
Borrowed Money Repaid				
Jail Capital Lease Obligations - Bond Principal Paid				
Kentucky Advance Revenue Program Repaid				
Revolving Loan Principal Payments				
Total Cash Disbursements	\$ 210,122	\$ 336,490	\$ 127,661	\$ 99,755
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements				
Cash Balance - July 1, 1998 *	\$ (204,420)	\$ 6,035	\$ 13	\$ 0
	228,852	0	0	0
Cash Balance - June 30, 1999 *	\$ 24,432	\$ 6,035	\$ 13	\$ 0

* Cash Balance Includes Investments

McCREARY COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1999

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of McCreary County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the McCreary County Airport Board, Sandhill Conservation Camp, Solid Waste Management Board, Tourism Commission, Stearns Historical Area Development Authority, Kentucky Association of Counties Leasing Trust Acquisition Accounts, and Kentucky Area Development District Financing Trust Construction Accounts as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The McCreary County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

McCREARY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the McCreary County Water District is considered a related organization of the McCreary County Fiscal Court.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

McCREARY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. As of July 27, 1998, the county had bank deposits of \$1,772,598; FDIC insurance of \$200,000; and collateral pledged or provided of \$1,650,000. Even though the county obtained sufficient collateral of \$1,650,000, there was no written agreement between the county and the depository institution, signed by both parties, securing the county's interest in the collateral. We recommend the county enter into a written agreement with the depository institution to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county's name	\$ 1,572,598
Total	<u>\$ 1,572,598</u>

Note 4. Receivables

McCreary County, in cooperation with Scott County, Tennessee, formed the Rural Enterprise Community known as Scott-McCreary Area Revitalization Team (SMART) for the purpose of increasing economic development in these two counties. As part of this effort, McCreary County established a revolving loan fund, with funds passed through from the U.S. Department of Health and Human Services, to encourage economic growth by making available low-interest loans to eligible businesses in an amount up to 50% of the total project, or \$75,000, whichever is less. As the loan is repaid, the County may use the funds in a manner similar to their original use. The balance of receivables due as of June 30, 1999 is as follows:

McCREARY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 4. Receivables (Continued)

Description	Monthly Payment	Loan Term	Interest Rate	Ending Date	Principal Balance 06/30/1999
SMART Works Fund:					
Quality Wholesale Molding and Millwork, Inc.	\$ 1,150	7 years	7.50%	01/01/2005	\$ 70,846
Academy Broadway Corp.	1,150	7 years	7.50%	05/01/2005	65,799
Bryant Lumber Co.	472	5 years	5.00%	10/01/2003	22,016
Foothills Country Meats, Inc.	966	6 years	5.00%	10/01/2003	56,389
Floral Creations by Sharon	156	5 years	5.00%	06/01/2004	8,250
Strunk Hauling and Digging Service, Inc.	491	5 years	5.00%	07/01/2004	<u>26,000</u>
Total Receivables					<u><u>\$ 249,299</u></u>

Note 5. Long-Term Debt

A. Stearns Historical Area Development Authority

On March 15, 1999, the Stearns Historical Area Development Authority refinanced a \$341,115 loan for 15 years at approximately 6 % interest until March 15, 2000. The future rates will be 1.75% under the New York prime rate. The purpose of the loan was to finance the renovation cost of several facilities in Stearns, Kentucky. Monthly payments of \$2,250 are due by the 15th day of each month. The outstanding principal balance at June 30, 1999 is \$339,474.

B. Solid Waste Revolving Loan Agreement

On August 6, 1993, the McCreary County Solid Waste Management District entered into an Assistance Agreement with the Kentucky Infrastructure Authority for \$105,212. Of this amount, \$50,000, was a non-repayable grant and the remaining \$55,212 was a revolving loan. These funds were used to purchase an existing transfer station, which had been leased by the McCreary County Fiscal Court from the Kentucky Association of Counties Leasing Trust Program, and the balance of the loan was used to purchase a conveyor system. The agreement requires the loan amount of \$55,212, to be repaid with semiannual declining payments due June 1 and December 1 over a ten-year period at an interest rate of 4.6%.

McCREARY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 1999
 (Continued)

Note 5. Long-Term Debt (Continued)

B. Solid Waste Revolving Loan Agreement (Continued)

Principal Payment Dates

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
12/01/99	\$ 671	\$ 2,832
06/01/00	603	2,897
12/01/00	533	2,964
06/01/01	462	3,032
12/01/01	389	3,102
06/01/02	315	3,173
12/01/02	239	3,246
06/01/03	161	3,321
12/01/03	82	3,396
Total Principal Outstanding June 30, 1999		<u>\$ 27,963</u>

Note 6. Long-Term Participation Agreement

The Kentucky Local Correctional Facilities Construction Authority, an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issues revenue bonds for the purpose of construction and reconstruction of jail facilities. The authority issued \$628,917 of revenue bonds at various interest rates (7.0 % through 7.4%), of which the county has agreed to pay \$316,534, principal and a proportional share of interest on the issue. Revenue bonds outstanding as of June 30, 1999 totaled \$245,488.

Principal Payment Dates

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
10/01/1999	\$ 8,487	\$ 8,878
04/01/2000	8,182	0
10/01/2000	8,182	9,488
04/01/2001	7,855	0
10/01/2001	7,855	10,141
04/01/2002	7,506	0
10/01/2002	7,506	10,839
04/01/2003	7,133	0
10/01/2003	7,133	11,586
04/01/2004	6,733	0
Thereafter	89,809	194,556
Total Principal Outstanding June 30, 1999		<u>\$ 245,488</u>

McCREARY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 7. Capital Lease Agreements

- A. On May 3, 1999, the McCreary County Fiscal Court entered into a 10-year leasing agreement with KACo Leasing Trust for the purchase of voting machines. The principal payments are due annually by January 20.

Principal Payment Dates

<u>Due Date</u>	<u>Scheduled Interest and Fees</u>	<u>Principal Amount</u>
01/20/2000	\$ 5,942	\$ 8,000
01/20/2001	4,778	9,000
01/20/2002	4,289	9,000
01/20/2003	3,801	9,000
01/20/2004	2,298	10,000
Thereafter	9,023	<u>54,755</u>
Total Principal Outstanding June 30, 1999		<u>\$ 99,755</u>

- B. On November 8, 1994, the McCreary County Fiscal Court entered into a 10-year leasing agreement for \$200,000 with Bank of McCreary County to provide for the permanent financing of the acquisition, construction, installation, renovation and equipping of a maintenance garage along with paying off a \$170,000 loan of the Road and Bridge Fund. Principal payments are due annually by November 1.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
11/01/1999	\$ 4,625	\$ 20,000
05/01/2000	4,025	
11/01/2000	4,025	20,000
05/01/2001	3,325	
11/01/2001	3,325	20,000
05/01/2002	2,625	
11/01/2002	2,625	25,000
05/01/2003	1,750	
11/01/2003	1,750	25,000
05/01/2004	875	
11/01/2004	875	<u>25,000</u>
Total Principal Outstanding June 30, 1999		<u>\$ 135,000</u>

McCREARY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 7. Capital Lease Agreements (Continued)

- C. On May 29, 1998, the McCreary County Fiscal Court entered into a 7-year leasing agreement with KACo Leasing Trust for the purchase of 911 equipment. The principal payments are due annually by January 20.

Principal Payment Dates

<u>Due Date</u>	<u>Scheduled Interest and Fees</u>	<u>Principal Payment</u>
01/20/2000	\$ 12,874	\$ 39,000
01/20/2001	10,795	41,000
01/20/2002	8,613	43,000
01/20/2003	6,326	45,000
01/20/2004	3,925	47,000
01/20/2005	1,461	48,000
Total Principal Outstanding June 30, 1999		<u>\$ 263,000</u>

Note 8. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

<u>Items Purchased</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
Road Equipment	07/06/1998	07/20/1999	4.25%	\$ 57,666
ALS Equipment	09/21/1998	01/20/2002	3.63%	127,000

Note 9. Kentucky Area Development District (KADD) Financing Trust Lease Agreements

The McCreary County Fiscal Court entered into four separate leasing agreements with KADD Financing Trust for interim financing for courthouse construction projects prior to the issuance on November 1, 1999, of \$5,205,000 First Mortgage Revenue Bonds (Courthouse Facilities Project), Series 1999A, issued by the McCreary County Courthouse and Public Square Corporation.

McCREARY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 9. Kentucky Area Development District (KADD) Financing Trust Lease Agreement
(Continued)

Courthouse Interim Financing	Loan Number	Loan Closing Date	Maturity Date	Interest Rate	Amount
ADA Compliance Project	96KADD-037	08/11/1997	11/20/2000	5.70%	\$ 200,000
Courthouse Construction	96KADD-086	06/30/1998	11/20/2001	4.87%	100,000
Courthouse Construction	96KADD-091	08/25/1998	11/20/2001	5.08%	50,000
Courthouse Construction	96KADD-117	02/10/1999	05/20/2002	4.38%	150,000
Total Principal Outstanding June 30, 1999					<u>\$ 500,000</u>

Note 10. Subsequent Events

A. Quality Wholesale Molding and Millworks, Inc. SMART Works Loan

On November 10, 1997, the SMART Works Loan Committee closed a \$75,000 loan to Quality Wholesale Molding and Millworks, Inc. The loan was secured with a first mortgage against a 5,000 square foot building and approximately 4 acres of land. The approximate value of the project was \$150,000. On October 8, 1998, Quality Wholesale Molding and Millworks, Inc. was granted a loan moratorium until July 31, 1999. On August 31, 1999, Quality Wholesale Molding and Millworks, Inc. ceased operations. On October 18, 1999, the SMART Board of Directors voted to forgive the \$70,846 SMART Work indebtedness of Quality Wholesale Molding and Millworks, Inc. In return, Quality Wholesale Molding and Millworks, Inc. would deed the land and the building valued at approximately \$150,000 to the McCreary County Fiscal Court. The county is in the process of having the legal documents prepared to perfect the land and building transfer.

B. McCreary County Courthouse and Public Square Corporation Bond Issue

On November 1, 1999, the McCreary County Courthouse and Public Square Corporation issued \$5,205,000 First Mortgage Revenue Bonds (Courthouse Facilities Project), Series 1999A, for the courthouse construction project.

Note 11. Insurance

For the fiscal year ended June 30, 1999, McCreary County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

McCREARY COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1999

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
General Fund	\$ 1,466,599	\$ 1,425,092	\$ (41,507)
Road and Bridge Fund	1,123,284	1,108,706	(14,578)
Jail Fund	207,964	210,310	2,346
Local Government Economic Assistance Fund	135,533	79,242	(56,291)
County Police Fund	52,371	17,032	(35,339)
Emergency 911 Dispatch Fund	203,380	224,205	20,825
Sewer and Water Construction Fund	1,185,671	222,842	(962,829)
Enterprise Community Grant Fund	1,366,499	132,259	(1,234,240)
SMART Home Program Fund	286,798	34,200	(252,598)
SMART Works Fund	70,000	42,170	(27,830)
Disaster Assistance Fund	1,453,742	435,961	(1,017,781)
Totals	<u>\$ 7,551,841</u>	<u>\$ 3,932,019</u>	<u>\$ (3,619,822)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 7,551,841
Add: Budgeted Prior Year Surplus	103,464
Less: Other Financing Uses	<u>(81,416)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 7,573,889</u>

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SCHEDULE OF OPERATING REVENUE

McCREARY COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Revenue From Local Taxes and Excess Fees</u>				
Sheriff:				
Taxes	\$ 473,035	\$ 473,035	\$	\$
County Clerk:				
Deed Transfer Tax	13,592	13,592		
Occupational Licenses	365	365		
Delinquent Taxes	53,937	53,389		
Excess Fees - 1998	29,323	29,323		
Transient Room Tax	11,381	11,381		
Bank Deposits Tax	21,106	21,106		
Tangible Personal Property Taxes:				
Other Counties	7,796	7,796		
County Clerk	73,889	73,889		
Delinquent Taxes - KST	1,011	1,011		
In Lieu of Taxes:				
Public Housing	4,000	4,000		
U.S. Treasurer	97,455	97,455		
TVA	13,442	13,442		
Totals	<u>\$ 800,332</u>	<u>\$ 799,784</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>U.S. Treasurer</u>				
COPS Grant	\$ 17,032	\$	\$	\$
Rural Business Enterprise Grant	18,750			
Totals	<u>\$ 35,782</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

[illegible]

McCREARY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

	SMART Works Fund	Disaster Assistance Fund	Stearns Historical Area Development Authority Fund	Tourism Commission Fund
Revenue From Local Taxes <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$	\$	\$	\$
County Clerk:				
Deed Transfer Tax				
Occupational Licenses				
Delinquent Taxes				
Excess Fees - 1998				
Transient Room Tax				
Bank Deposits Tax				
Tangible Personal Property Taxes:				
Other Counties				
County Clerk				
Delinquent Taxes - KST				
In Lieu of Taxes:				
Public Housing				
U.S. Treasurer				
TVA				
Totals	\$ 0	\$ 0	\$ 0	\$ 0
<u>U.S. Treasurer</u>				
COPS Grant	\$	\$	\$	\$
Rural Business Enterprise Grant	18,750			
Totals	\$ 18,750	\$ 0	\$ 0	\$ 0

McCREARY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

<u>Sandhill</u>	<u>McCreary</u>	<u>Solid Waste</u>	<u>KADD</u>
<u>Conservation</u>	<u>County</u>	<u>Management</u>	<u>Courthouse</u>
<u>Camp Fund</u>	<u>Airport</u>	<u>Board Fund</u>	<u>Construction</u>
<u>Board Fund</u>	<u>Board Fund</u>	<u>Accounts</u>	

\$	\$	\$	\$
----	----	----	----

548

<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
0	0	548	0

<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
0	0	0	0

McCREARY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

	Kentucky Association of Counties Leasing Trust		
	Acquisition Account		
	911 Equipment Account	Road Equipment Account	ALS Equipment Account
Revenue From Local Taxes and Excess Fees			
Sheriff:			
Taxes	\$	\$	\$
County Clerk:			
Deed Transfer Tax			
Occupational Licenses			
Delinquent Taxes			
Excess Fees - 1998			
Transient Room Tax			
Bank Deposits Tax			
Tangible Personal Property Taxes:			
Other Counties			
County Clerk			
Delinquent Taxes - KST			
In Lieu of Taxes:			
Public Housing			
U.S. Treasurer			
TVA			
Totals	\$ 0	\$ 0	\$ 0
U.S. Treasurer			
COPS Grant	\$	\$	\$
Rural Business Enterprise Grant			
Totals	\$ 0	\$ 0	\$ 0

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McCREARY COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1999
(Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Federal Receipts - State Treasurer</u>				
Disaster and Emergency Assistance				
Grants - Coordinator Salary	\$ 5,690	\$ 5,690	\$	\$
Community Development Block				
Grants-				
Water Expansion Project	31,842			
Sewer Expansion Project	191,000			
Appalachian Regional Commission				
Grant - Homebuyer's Program	34,200			
Disaster and Emergency Assistance				
Grant - 1998 Severe Weather	434,920			
Social Services Block Grant-				
SMART Account	132,259			
National Forestry Receipts	81,853		81,853	
PRIDE Grant	19,944			
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ 931,708	\$ 5,690	\$ 81,853	\$ 0

Kentucky State Treasurer

Jail:				
Allotments	\$ 46,487	\$	\$	\$ 46,487
Medical Allotments	4,002			4,002
Driving Under The Influence Fees	4,230			4,230
Controlled Intake	24,693			24,693
Community Service	123,170			123,170
County Road Aid	769,619		769,619	
Rural Secondary	15,569		15,569	
Energy Recovery	1,821		1,821	
Truck License Distribution	161,449		161,449	
Election Expense Reimbursement	9,180	9,180		
Strip Mine Permits	4,537	4,537		

McCREARY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

Local Government Economic Assistance Fund	County Police Fund	Emergency 911 Dispatch Fund	Sewer and Water Construction Fund	Enterprise Community Grant Fund	SMART Home Program Fund
\$	\$	\$	\$	\$	\$
			31,842 191,000		
					34,200
				132,259	
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 222,842</u>	<u>\$ 132,259</u>	<u>\$ 34,200</u>
\$	\$	\$	\$	\$	\$

McCREARY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

	SMART Works Fund	Disaster Assistance Fund	Stearns Historical Area Development Authority Fund	Tourism Commission Fund
<u>Federal Receipts - State Treasurer</u>				
Disaster and Emergency Assistance				
Grants - Coordinator Salary	\$	\$	\$	\$
Community Development Block				
Grants-				
Water Expansion Project				
Sewer Expansion Project				
Appalachian Regional Commission				
Grant - Homebuyer's Program				
Disaster and Emergency Assistance				
Grant - 1998 Severe Weather		434,920		
Social Services Block Grant-				
SMART Account				
National Forestry Receipts				
PRIDE Grant				
Totals	\$ 0	\$ 434,920	\$ 0	\$ 0

Kentucky State Treasurer

Jail:				
Allotments	\$	\$	\$	\$
Medical Allotments				
Driving Under The Influence Fees				
Controlled Intake				
Community Service				
County Road Aid				
Rural Secondary				
Energy Recovery				
Truck License Distribution				
Election Expense Reimbursement				
Strip Mine Permits				

McCREARY COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1999
(Continued)

	McCreary		KADD
Sandhill	County	Solid Waste	Courthouse
Conservation	Airport	Management	Construction
Camp Fund	Board Fund	Board Fund	Accounts
\$	\$	\$	\$
		19,944	
\$ 0	\$ 0	\$ 19,944	\$ 0
\$	\$	\$	\$

McCREARY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

	Kentucky Association of Counties Leasing Trust		
	Acquisition Account		
	911 Equipment Account	Road Equipment Account	ALS Equipment Account
<u>Federal Receipts - State Treasurer</u>			
Disaster and Emergency Assistance			
Grants - Coordinator Salary	\$	\$	\$
Community Development Block			
Grants-			
Water Expansion Project			
Sewer Expansion Project			
Appalachian Regional Commission			
Grant - Homebuyer's Program			
Disaster and Emergency Assistance			
Grant - 1998 Severe Weather			
Social Services Block Grant-			
SMART Account			
National Forestry Receipts			
PRIDE Grant			
Totals	\$ 0	\$ 0	\$ 0
<u>Kentucky State Treasurer</u>			
Jail:			
Allotments	\$	\$	\$
Medical Allotments			
Driving Under The Influence Fees			
Controlled Intake			
Community Service			
County Road Aid			
Rural Secondary			
Energy Recovery			
Truck License Distribution			
Election Expense Reimbursement			
Strip Mine Permits			

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McCREARY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer (Continued)</u>				
Courthouse Rent - AOC	\$ 48,866	\$ 48,866	\$	\$
Drivers License Refund	1,538		1,538	
Severance Taxes:				
Coal	75,941			
Mineral	2,916			
Board of Assessments	550	550		
Grants:				
Senate Bill 66	8,565	8,565		
Disaster and Emergency Assistance Grant-				
Coordinator Salary	4,514	4,514		
Miscellaneous Items	433			
Totals	<u>\$ 1,308,080</u>	<u>\$ 76,212</u>	<u>\$ 949,996</u>	<u>\$ 202,582</u>
<u>Miscellaneous Revenue</u>				
Interest	\$ 46,186	\$ 17,115	\$ 12,943	\$ 634
Circuit Court Clerk: Jail Cost	7,094			7,094
Revolving Loan Revenue	22,820			
Intergovernmental Gas Sales	49,864		49,864	
E-911 Telephone Surcharges	218,778			
Garbage Franchise Fees	42,860			
Cable TV Franchise	53,834	53,834		
Advertising Costs	1,653	1,653		
Space Rental	4,800	4,800		
Ambulance Receipts	459,556	459,556		
Closing Fees	600			
Shelter Rentals	5,182			
Rental Receipts	39,082			
Miscellaneous Items	27,876	6,448	14,050	
Totals	<u>\$ 980,185</u>	<u>\$ 543,406</u>	<u>\$ 76,857</u>	<u>\$ 7,728</u>
Total Operating Revenue	<u>\$ 4,056,087</u>	<u>\$ 1,425,092</u>	<u>\$ 1,108,706</u>	<u>\$ 210,310</u>

Local Government Economic Assistance Fund	County Police Fund	Emergency 911 Dispatch Fund	Sewer and Water Construction Fund	Enterprise Community Grant Fund	SMART Home Program Fund
\$	\$	\$	\$	\$	\$
75,941					
2,916					
\$ 78,857	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ 385	\$	\$ 1,599	\$	\$	\$
		218,778			
		3,828			
\$ 385	\$ 0	\$ 224,205	\$ 0	\$ 0	\$ 0
\$ 79,242	\$ 17,032	\$ 224,205	\$ 222,842	\$ 132,259	\$ 34,200

McCREARY COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1999
(Continued)

	SMART Works Fund	Disaster Assistance Fund	Stearns Historical Area Development Authority Fund	Tourism Commission Fund
<u>Kentucky State Treasurer (Continued)</u>				
Courthouse Rent - AOC	\$	\$	\$	\$
Drivers License Refund				
Severance Taxes:				
Coal				
Mineral				
Board of Assessments				
Grants:				
Senate Bill 66				
Disaster and Emergency				
Assistance Grant-				
Coordinator Salary				
Miscellaneous Items				
Totals	\$ 0	\$ 0	\$ 0	\$ 0
<u>Miscellaneous Revenue</u>				
Interest	\$	\$	\$	\$ 195
Circuit Court Clerk: Jail Cost				
Revolving Loan Revenue	22,820			
Intergovernmental Gas Sales				
E-911 Telephone Surcharges				
Garbage Franchise Fees				
Cable TV Franchise				
Advertising Costs				
Space Rental				
Ambulance Receipts				
Closing Fees	600			
Shelter Rentals				
Rental Receipts			39,082	
Miscellaneous Items		1,041		1,050
Totals	\$ 23,420	\$ 1,041	\$ 39,082	\$ 1,245
Total Operating Revenue	\$ 42,170	\$ 435,961	\$ 39,082	\$ 1,245

McCREARY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

<u>Sandhill Conservation Camp Fund</u>	<u>McCreary County Airport Board Fund</u>	<u>Solid Waste Management Board Fund</u>	<u>KADD Courthouse Construction Accounts</u>
\$	\$	\$	\$
		433	
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 433</u>	<u>\$ 0</u>
\$	\$ 1,724	\$	\$ 2,690
		42,860	
5,182			
	1,090	369	
<u>\$ 5,182</u>	<u>\$ 2,814</u>	<u>\$ 43,229</u>	<u>\$ 2,690</u>
<u>\$ 5,182</u>	<u>\$ 2,814</u>	<u>\$ 64,154</u>	<u>\$ 2,690</u>

McCREARY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

	Kentucky Association of Counties Leasing Trust		
	Acquisition Account		
	911 Equipment Account	Road Equipment Account	ALS Equipment Account
<u>Kentucky State Treasurer</u> (Continued)			
Courthouse Rent - AOC	\$	\$	\$
Drivers License Refund			
Severance Taxes:			
Coal			
Mineral			
Board of Assessments			
Grants:			
Senate Bill 66			
Disaster and Emergency			
Assistance Grant-			
Coordinator Salary			
Miscellaneous Items			
Totals	\$ 0	\$ 0	\$ 0
<u>Miscellaneous Revenue</u>			
Interest	\$ 5,702	\$ 2,525	\$ 674
Circuit Court Clerk: Jail Cost			
Revolving Loan Revenue			
Intergovernmental Gas Sales			
E-911 Telephone Surcharges			
Garbage Franchise Fees			
Cable TV Franchise			
Advertising Costs			
Space Rental			
Ambulance Receipts			
Closing Fees			
Shelter Rentals			
Rental Receipts			
Miscellaneous Items			
Totals	\$ 5,702	\$ 2,525	\$ 674
Total Operating Revenue	\$ 5,702	\$ 2,525	\$ 674

COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

McCREARY COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1999

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 52,592	\$ 52,592	\$
Community Service Coordinator	16,792	16,792	
Deputy County Judge/Executive	26,235	26,235	
Finance Officer	24,103	22,851	1,252
Secretary	20,284	20,284	
Office Equipment	10,000	4,481	5,519
Office Supplies	6,000	3,333	2,667
Memberships	2,500	2,050	450
Travel	5,000	3,699	1,301
Office of County Attorney:			
Salaries-			
County Attorney	20,593	20,593	
Secretary	17,028	17,028	
Office Materials and Supplies	6,400	5,693	707
Memberships	750	750	
Office of Sheriff:			
Advertising	9,602	9,466	136
Postal Charges	4,188	3,858	330
Office of County Coroner:			
Salaries-			
County Coroner	8,395	8,395	
Deputy Coroner	18,964	18,935	29
Autopsies and Attendant Service	8,000	3,089	4,911
Equipment	2,500	2,470	30
Memberships	150	75	75
Registrations - Conferences	1,000	232	768
Telephone	1,600	1,554	46

McCREARY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Fiscal Court:			
Magistrates-			
Salaries	\$ 48,453	\$ 48,453	\$
Expense Allowance	14,400	14,400	
Fiscal Court Clerk Salary	6,518	6,518	
Other Per Diem and Fees	5,294	4,765	529
Consultants	8,446	8,446	
Memberships	638	638	
Office of Property Valuation Administrator:			
Statutory Contribution	8,680	6,415	2,265
Office of Board of Assessment Appeals:			
Per Diem	1,100	1,100	
Office of County Treasurer:			
County Treasurer Salary	21,500	21,500	
County Law Library			
Law Librarian Salary	1,200	1,200	
Elections:			
Per Diem-			
Election Commissioners	1,200	1,200	
Election Officers	10,190	9,435	755
Tabulators	250	250	
Other Per Diem and Fees	1,940	1,605	335
Contracts with Private Agencies	1,600	1,600	
Polling Places	560	500	60
Equipment	18,386	17,971	415
Voting Machine Maintenance	4,749	3,630	1,119
Courthouse:			
Salaries-			
Janitor	16,600	16,600	
Building Maintenance	10,310	9,531	779

McCREARY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Courthouse: (Continued)			
Equipment	\$ 14,000	\$ 13,140	\$ 860
Utilities	40,146	37,054	3,092
<u>Protection to Persons and Property</u>			
Constables:			
Salaries	23,258	23,258	
Office of Emergency Management:			
Director Salary	14,722	14,124	598
Fringe Benefits	2,768	2,768	
Equipment	5,595	5,293	302
Telephone	600	483	117
Travel	1,000	336	664
Utilities	837	648	189
Ambulance Service:			
Salaries	315,606	315,410	196
Fringe Benefits:			
County Contributions-			
Social Security	23,952	23,341	611
Retirement	19,653	16,974	2,679
Health Insurance	32,589	32,589	
Worker's Compensation	19,760	19,760	
Unemployment Insurance	5,000	5,000	
Ambulance	2,409	1,856	553
Dispatch Service	1,500	1,500	
Gasoline	14,000	11,012	2,988
Linens	733	733	
Office Supplies	4,000	3,770	230
Equipment	16,010	16,248	(238)
Medical Supplies	12,183	10,926	1,257
Refunds	2,631	2,128	503
Training	500	380	120

McCREARY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Protection to Persons and Property</u> (Continued)			
Ambulance Service: (Continued)			
Travel	\$ 1,118	\$ 928	\$ 190
Utilities	7,897	7,688	209
Building Maintenance	2,000	1,693	307
Vehicle Maintenance	19,324	9,919	9,405
Interest on Lease	36,369	36,369	
Office Equipment	785	448	337
Forestry Fire Protection:			
Kentucky State Treasurer	3,148	1,574	1,574
Office of Public Defender:			
Public Advocacy Program	1,950	1,950	
<u>General Health and Sanitation</u>			
Dog Control:			
Contract with Private Agency	9,900	9,900	
Capital Construction:			
Solid Waste Transfer Station	155,900	154,400	1,500
Other Health Programs:			
Office Staff	1,680	476	1,204
Office Supplies	1,000	894	106
Telephone	1,200	353	847
<u>Social Services</u>			
Senior Citizens Program:			
Contribution	4,300	2,571	1,729
<u>Recreation and Culture</u>			
Cooperative Extension Program:			
Program Support	27,366	27,366	

McCREARY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Debt Service</u>			
Kentucky Advance Revenue Program:			
Interest	\$	\$ 11,011	\$ (11,011)
<u>Administration</u>			
General Services:			
Audit Services	17,073	17,073	
Courthouse Insurance	42,188	41,146	1,042
Bonds	1,500	1,287	213
Memberships	1,248	1,248	
Contingent Appropriations:			
Reserve for Transfers	25,702		25,702
Fringe Benefits:			
County Contributions-			
Social Security	38,130	37,917	213
Retirement	38,720	38,760	(40)
Health Insurance	48,825	48,557	268
Worker's Compensation	15,000	15,000	
Unemployment Insurance	8,660	8,660	
Total Operating Budget	\$ 1,529,125	\$ 1,456,131	\$ 72,994
Other Financing Uses:			
Transfers to Tourism			
Commission Fund	14,000	11,381	2,619
Borrowed Money			
Principal		140,000	(140,000)
Kentucky Advance Revenue Program-			
Principal	538,625	503,310	35,315
Total General Fund	\$ 2,081,750	\$ 2,110,822	\$ (29,072)

McCREARY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u>			
<u>Transportation Facilities and Services</u>			
Road Facilities			
Gasoline	\$ 62,485	\$ 41,805	\$ 20,680
<u>Roads</u>			
Office of Road Supervisor/Engineer:			
Road Supervisor Salary	25,435	25,435	
Secretary Salary	5,721	5,721	
Road Maintenance:			
Road Labor Salaries	145,904	143,820	2,084
Solid Waste	3,728	2,980	748
Other Contracted Services	1,000	625	375
Gasoline	45,249	30,561	14,688
Motor Vehicle Parts	104,682	84,388	20,294
Equipment	13,000	12,072	928
Road Materials	200,000	153,334	46,666
Signs	10,000	6,853	3,147
Uniforms	5,500	4,134	1,366
Utilities	5,000	4,539	461
<u>Debt Service</u>			
Kentucky Advance Revenue Program:			
Interest		8,807	(8,807)
Other County Liabilities:			
Lease-Purchase Agreements			
Interest	6,800	8,718	(1,918)
<u>Administration</u>			
General Services:			
Audit Services	10,000	8,600	1,400
Equipment and Vehicle Insurance	37,500	37,500	
Memberships	500	150	350

McCREARY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u>			
(Continued)			
<u>Administration</u> (Continued)			
Contingent Appropriations:			
Reserve for Budget Transfers	\$ 141,838	\$	\$ 141,838
Fringe Benefits:			
County Contributions-			
Retirement	13,006	12,783	223
Social Security	13,293	13,042	251
Health Insurance	32,969	32,969	
Worker's Compensation	20,000	20,000	
Unemployment Insurance	8,096	3,096	5,000
Other General Services:			
School's Share National Forestry	40,927	40,927	
Total Operating Budget	\$ 952,633	\$ 702,859	\$ 249,774
Other Financing Uses:			
Road Garage Capital Lease-			
Principal	20,000	20,000	
Kentucky Advance Revenue Program-			
Principal	440,630	402,565	38,065
Total Road and Bridge Fund	\$ 1,413,263	\$ 1,125,424	\$ 287,839

JAIL FUND

Protection to Persons and Property

Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 43,386	\$ 43,363	\$ 23
Jail Personnel	127,202	126,005	1,197

McCREARY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u> (Continued)			
<u>Protection to Persons and Property</u> (Continued)			
Operations-			
Female Detention	\$ 13,000	\$ 12,968	\$ 32
Building Maintenance	5,857	5,768	89
Equipment Maintenance	5,872	3,410	2,462
Prisoner Transportation	387	387	
Custodial Supplies	1,185	1,153	32
Food	50,500	50,105	395
Office Supplies	1,500	1,414	86
Equipment	4,000	3,859	141
Routine Medical	46,637	37,309	9,328
Telephone	2,752	2,717	35
Utilities	21,718	22,234	(516)
Furniture and Fixtures	1,000	563	437
Housing Juvenile Prisoners	12,922	12,922	
<u>Debt Service</u>			
Jail Capital Lease Obligations:			
Interest	17,260	17,260	
<u>Administration</u>			
General Services:			
Memberships	450	450	
Registrations, Conferences	274	274	
Contingent Appropriations:			
Reserve for Budget Transfers	(280)		(280)
Fringe Benefits:			
County Contributions-			
Social Security	12,439	12,359	80
Retirement	13,572	13,511	61

McCREARY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u> (Continued)			
<u>Administration</u> (Continued)			
Fringe Benefits: (Continued)			
Health Insurance	\$ 22,144	\$ 22,144	\$
Worker's Compensation	12,452	12,452	
Unemployment Insurance	1,000	1,000	
Total Operating Budget	\$ 417,229	\$ 403,627	\$ 13,602
Other Financing Uses:			
Jail Capital Lease Obligation- Principal	8,307	8,307	
Total Jail Fund	\$ 425,536	\$ 411,934	\$ 13,602
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
<u>Recreation and Culture</u>			
Parks:			
Program Support	\$ 9,800	\$ 3,385	\$ 6,415
<u>Roads</u>			
Office of Road Supervisor:			
Memberships	500	500	
Contingent Appropriations:			
Reserve for Budget Transfers	52,250		52,250
Total Operating Budget	\$ 62,550	\$ 3,885	\$ 58,665
Other Financing Uses:			
Borrowed Money- Principal		4,516	(4,516)
Total Local Government Economic Assistance Fund	\$ 62,550	\$ 8,401	\$ 54,149

McCREARY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>COUNTY POLICE FUND</u>			
County Police:			
Salaries	\$ 52,371	\$ 7,500	\$ 44,871
 <u>EMERGENCY 911 DISPATCH FUND</u>			
<u>Protection to Persons and Property</u>			
Emergency Dispatch Service:			
Salaries-			
Assistant Director	\$ 17,567	\$ 17,211	\$ 356
Director	17,385	17,385	
Dispatchers/Radio Operators	69,537	68,808	729
Part-Time Personnel	18,315	16,896	1,419
Fringe Benefits:			
County Contributions-			
Retirement	8,434	7,830	604
Social Security	8,858	8,839	19
Medicare	1,131		1,131
Health Insurance	14,937	14,937	
Worker's Compensation	1,000	1,000	
Unemployment Insurance	3,080	1,756	1,324
Lease Payments	1,200	800	400
Building Maintenance	900	689	211
Vehicle Maintenance	500	351	149
Gasoline	600	258	342
Office Supplies	3,900	3,487	413
Materials and Supplies	1,700	1,560	140
Training	2,000	1,393	607
Travel	2,400	2,048	352
Utilities	6,838	6,964	(126)
Miscellaneous	2,500	2,344	156
Office Equipment	1,500	1,288	212
Buildings and Construction	2,351	1,614	737
 <u>Debt Service</u>			
Lease-Purchase Agreements:			
Interest	10,631	12,740	(2,109)

McCREARY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>EMERGENCY 911 DISPATCH FUND</u>			
(Continued)			
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Budget Transfers	\$ 7	\$	\$ 7
Total Operating Budget	\$ 197,271	\$ 190,198	\$ 7,073
Other Financing Uses:			
KACO Leasing Trust Agreements- Principal	39,109	37,000	2,109
Total Emergency 911 Dispatch Fund	\$ 236,380	\$ 227,198	\$ 9,182
<u>SEWER AND WATER CONSTRUCTION FUND</u>			
<u>General Health and Sanitation</u>			
Water and Sewage Systems:			
Buildings and Construction	\$ 1,185,671	\$ 222,842	\$ 962,829
<u>ENTERPRISE COMMUNITY GRANT FUND</u>			
<u>General Government</u>			
Capital Projects:			
Special Projects	\$ 1,904	\$ 846	\$ 1,058
Economic Development	347,317	138,752	208,565
<u>Protection to Persons and Property</u>			
Emergency Dispatch Service:			
Special Projects	11,700		11,700

McCREARY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
ENTERPRISE COMMUNITY <u>GRANT FUND</u> (Continued)			
<u>Recreation and Culture</u>			
Parks:			
Buildings and Construction	\$ 25,000	\$	\$ 25,000
Tourist and Convention:			
Buildings and Construction	98,488	1,725	96,763
<u>Social Services</u>			
Buildings:			
Home Aid Services	225,000		225,000
Educational Project	97,833	97,833	
<u>Capital Projects</u>			
Airports:			
Buildings and Construction	152,683		152,683
Other Capital Projects:			
Buildings and Construction	310,000		310,000
<u>Administration</u>			
General Services			
Special Projects	96,574	7,251	89,323
Total Enterprise Community Grant Fund	\$ 1,366,499	\$ 246,407	\$ 1,120,092

SMART HOME PROGRAM FUND

Social Services

Home Aid:			
Consulting	\$ 17,298	\$	\$ 17,298
Legal Fees	5,000		5,000
Program Support	2,500		2,500

McCREARY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
SMART HOME PROGRAM FUND (Continued)			
<u>Social Services (Continued)</u>			
Home Aid: (Continued)			
Payments to Government Agencies	\$ 20,000	\$	\$ 20,000
Economic Development	242,000		242,000
Total SMART Home Program Fund	\$ 286,798	\$	\$ 286,798
<u>SMART WORKS FUND</u>			
<u>General Government</u>			
Economic Development:			
Consultants	\$ 14,000	\$ 7,660	\$ 6,340
Legal Fees	1,000		1,000
Program Support	1,000		1,000
Economic Development	37,000	13,750	23,250
Contingent Appropriations:			
Reserve for Budget Transfers	17,000		17,000
Total SMART Works Fund	\$ 70,000	\$ 21,410	\$ 48,590
<u>DISASTER ASSISTANCE FUND</u>			
<u>Protection to Persons and Property</u>			
Office of Emergency Management:			
Road Workers Salaries	\$ 465,920	\$ 157,011	\$ 308,909
Fringe Benefits:			
County Contributions-			
Social Security	28,887	12,011	16,876
Medicare	6,756		6,756
Unemployment Insurance	12,320	4,690	7,630
Worker's Compensation	51,018	9,336	41,682
Contracts with Government Agencies	10,000	5,232	4,768
Contracts with Private Agencies	385,000	320,443	64,557
Leases	330,000	232,569	97,431

McCREARY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>DISASTER ASSISTANCE FUND</u>			
(Continued)			
<u>Protection to Persons and Property</u>			
(Continued)			
Office of Emergency Management:			
(Continued)			
Materials and Supplies	\$ 50,000	\$ 22,556	\$ 27,444
Equipment	10,000	6,613	3,387
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Budget Transfers	103,841		103,841
Total Operating Budget	\$ 1,453,742	\$ 770,461	\$ 683,281
Other Financing Uses:			
Borrowed Money-Principal	70,000	70,000	
Total Disaster Assistance Fund	\$ 1,523,742	\$ 840,461	\$ 683,281
Total Operating Budget - All Funds	\$ 7,573,889	\$ 4,025,320	\$ 3,548,569
Other Financing Uses:			
Transfers to Tourism			
Commission Fund	14,000	11,381	2,619
Borrowed Money			
Principal		214,516	(214,516)
Kentucky Advance Revenue Program-			
Principal	905,875	905,875	
Road Garage Capital Lease-			
Principal	20,000	20,000	
Jail Capital Lease Obligation-			
Principal	8,307	8,307	
KACO Leasing Trust Agreements-			
Principal	39,109	37,000	
TOTAL BUDGET - ALL FUNDS	\$ 8,561,180	\$ 5,222,399	\$ 3,336,672

SCHEDULE OF UNBUDGETED EXPENDITURES

McCREARY COUNTY
SCHEDULE OF UNBUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1999

<u>Expenditure Items</u>	Stearns Historical Area Development Authority Fund	Tourism Commission Fund	Sandhill Conservation Camp Fund
Interest on Borrowed Money	\$ 19,249	\$	\$ 100
Repairs and Maintenance	3,362		4,220
Supplies	747		
Utilities	1,526		976
Insurance	4,141		
4th of July Celebration	4,500		
Miscellaneous	66		105
Tourist Commission	300		
Reimbursements	278		521
Telephone		482	
Secretarial Fees		2,400	
Tourism Promotion/Advertising		6,151	488
Brochure Mailings		1,141	
Office Expenses		323	
Bonds		102	
Dues		165	
Travel Expenses		663	
Sanitation			723
Residential Managers			1,500
Gas			264
Petty Cash			206
Totals	<u>\$ 34,169</u>	<u>\$ 11,427</u>	<u>\$ 9,103</u>

McCREARY COUNTY
 SCHEDULE OF UNBUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

<u>Expenditure Items</u>	<u>McCreary County Airport Board Fund</u>	<u>Solid Waste Management Board Fund</u>
Utilities	\$ 1,381	\$ 617
Appraisal Services	300	
Lockbox Rental	14	
Salaries		16,109
Insurance		2,870
Fuel		475
Office Supplies		1,612
Telephone		713
Auto Expenses		1,953
Interest on Borrowed Money		644
Interest on Revolving Loan		1,540
Miscellaneous		5,997
PRIDE Grant-		
Appliance Buyback		17,120
Record Keeper		1,122
Contract Labor		1,452
Director Overtime		195
Check Charge		55
	<hr/>	<hr/>
Totals	<u>\$ 1,695</u>	<u>\$ 52,474</u>

McCREARY COUNTY
 SCHEDULE OF UNBUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

Kentucky Association of Counties Leasing Trust Acquisition Accounts				
<u>Expenditure Items</u>	<u>911 Equipment</u>	<u>Road Equipment</u>	<u>ALS Equipment</u>	<u>Voting Machines</u>
Cash Management Fees	\$ 299	\$ 135	\$ 37	\$
911 Equipment	209,823			
Road Equipment		277,470		
KACO Lease Agreement- Interest		2,021		
ALS Equipment			127,624	
Voting Machines				99,755
Totals	<u>\$ 210,122</u>	<u>\$ 279,626</u>	<u>\$ 127,661</u>	<u>\$ 99,755</u>

McCREARY COUNTY
 SCHEDULE OF UNBUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

<u>Expenditure Items</u>	<u>KADD Courthouse Construction Accounts</u>
Architect Fees	\$ 41,184
Land Surveying	5,500
Construction Costs	155,290
KADD Lease Agreement- Interest	<u>16,146</u>
Totals	<u><u>\$ 218,120</u></u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Jimmie W. Greene, County Judge/Executive
Members of the McCreary County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of McCreary County, Kentucky, as of and for the year ended June 30, 1999, and have issued our report thereon dated March 21, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether McCreary County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered McCreary County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Jimmie W. Greene, County Judge/Executive
Members of the McCreary County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
March 21, 2000

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Jimmie W. Greene, County Judge/Executive
Members of the McCreary County's Fiscal Court

Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of McCreary County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 1999. McCreary County's major federal program is identified in the schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of McCreary County's management. Our responsibility is to express an opinion on McCreary County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McCreary County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on McCreary County's compliance with those requirements.

In our opinion, McCreary County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying findings and questioned costs:

- Federal Emergency Management Agency (FEMA) Officials Should Review The Appropriateness Of Lease Purchase Payments Charged To Disaster Survey Reports (DSRs).

Honorable Jimmie W. Greene, County Judge/Executive
Members of the McCreary County's Fiscal Court
Report On Compliance With Requirements Applicable To Each Major Program
And Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of McCreary County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to its federal program. In planning and performing our audit, we considered McCreary County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed –
March 21, 2000

FINDINGS AND QUESTIONED COSTS

McCREARY COUNTY
FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 1999

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of McCreary County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of McCreary County were disclosed during the audit.
4. No reportable condition disclosed during the audit of the major federal awards program is reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal award program for McCreary County expresses an unqualified opinion.
6. An audit finding relative to the major federal awards program for McCreary County is reported in Part C of this schedule.
7. The program tested as a major program was: (Federal Emergency Management Agency-Public Assistance Grant-CFDA #83.544)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. McCreary County was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None

NONCOMPLIANCES

1. The Former County Treasurer Should Have Prepared, Presented To The Fiscal Court, And
Published His Annual Settlement

The Former County Treasurer did not prepare nor present a county settlement to the fiscal court. KRS 68.050 requires the Former County Treasurer to make a full and complete settlement when his office is vacated. In addition, the annual settlement was not published as required by KRS 424.220 (6). KRS 424.220 (6) requires the County Treasurer to prepare an annual settlement and publish it within 60 days after the close of the fiscal year.

County Treasurer's Response:

Due to eye surgery and recuperation time, the county treasurer has been unable to comply.

McCREARY COUNTY
FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 1999
(Continued)

2 The County Should Have A Written Agreement To Protect Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. As of July 27, 1998, the county had bank deposits of \$1,772,598; FDIC insurance of \$200,000; and collateral pledged or provided of \$1,650,000. Even though the county obtained sufficient collateral of \$1,650,000, there was no written agreement between the county and the depository institution, signed by both parties, securing the county's interest in the collateral. We recommend the county enter into a written agreement with the depository institution to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Treasurer's Response:

Agreement was executed as soon as we received copy of model agreement from auditor on December 29, 1998.

3. The County Should Utilize Budget Amendments

The General Fund budget was overspent by \$29,072. Therefore, the fiscal court was not in compliance with KRS 68.300. The proper utilization of budget amendments as set forth in KRS 68.280 would have prevented the fiscal court from being in conflict with KRS 68.300. We recommend the fiscal court utilize budget amendments in the future to properly budget expenditures.

County Treasurer's Response:

Amendment was submitted to DLG on June 8, 1999. Response was delayed due to change in field representative.

McCREARY COUNTY
FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 1999
(Continued)

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM
AUDIT

FEDERAL EMERGENCY MANAGEMENT AGENCY

99-001: Passed-Through State Department of Military Affairs; Public Assistance Grants – 1998 Severe Weather-CFDA #. 83.544; Grant No. FEMA-1207-DR-KY # 147-00000.

Federal Emergency Management Agency (FEMA) Officials Should Review The Appropriateness Of Lease Purchase Payments Charged To Disaster Survey Reports (DSRs)

In July 1998, the county entered into a one-year lease-purchase agreement with the Kentucky Association of Counties Leasing Trust (KACOLT) for \$340,000 to purchase road equipment to be used for FEMA disaster work. We noted \$260,698 of these lease payments was charged to DSR #53501, DSR#53502, and DSR #53503 during fiscal year ended June 30, 1999. The federal share of these expenditures (75%) was \$195,523. We question the appropriateness of these charges as the KACOLT lease agreement included the purchase of a 1999 F450 flatbed truck (estimated cost of \$35,000) and a 1999 F350 crew cab truck (estimated cost of \$30,000) which were not purchased. These trucks have been charged to FEMA through the KACOLT lease payments even though they have never been purchased. In addition, subsequent to our audit period, on August 5, 1999, the county purchased a 1999 Dodge pickup truck for \$22,898 from the KACOLT acquisition account. This truck was not approved in the original KACOLT lease. Furthermore, the truck was purchased after the final lease payment on the KACOLT lease was made (August 4, 1999) and a lien was never put on the truck which would indicate the truck was a cash purchase. This truck has been charged to the FEMA project, subsequent to our audit date, through the lease payments. We question the appropriateness of these charges on the FEMA projects and recommend FEMA officials review these expenditures during their final inspections of these projects and determine the pro rata portion of the lease payments that should be charged to the DSRs.

Deputy County Judge/Executive's (Applicant's Agent) Response:

We will adjust as required by FEMA at final close-out.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

McCREARY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1999

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>Cash Programs</u>		
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department of Local Government:		
Community Development Block Grants-		
McCreary County Sewer Project (CFDA #14.228)	B-93-DC-21- 0001(030)	\$ 191,000
McCreary County Water Expansion Project (CFDA #14.228)	B-95-DC-21- 0001(034)	<u>31,842</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 222,842</u>
<u>U.S. Department of Agriculture</u>		
Direct Program		
Rural Business Enterprise Grant (CFDA #10.769)	RBEG	<u>\$ 18,750</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-Through State Finance and Administration Cabinet		
Social Services Block Grants (CFDA #93.667)	Not Available	<u>\$ 246,407</u>
<u>U.S. Department of Justice</u>		
Direct Program		
Public Safety Partnership and Community Policing Grants (CFDA #16.710)	97UMWX0764	<u>\$ 8,515</u>

McCREARY COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 1999
 (Continued)

U.S. Federal Emergency Management Agency

Passed-Through State Department
 of Military Affairs:

Disaster and Emergency

Assistance Grants-

Coordinator Salary

(CFDA #83.503)

Not Available \$ 5,690

Public Assistance Grants-

1998 Severe Weather

(CFDA #83.544)

FEMA-1207-DR-
 KY #147-00000 686,826

Total U.S. Federal Emergency Management Agency \$ 692,516

National Oceanic and Atmospheric
Administration

Passed-Through Eastern Kentucky

PRIDE, Inc.

PRIDE Community Grant Program

(CFDA #11.469)

\$ 19,944

Total Cash Expenditures of Federal Awards \$ 1,208,974

McCREARY COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1999

Note 1 - Basis of Presentation

This schedule is presented on a cash basis.

Note 2 - Social Services Block Grant

McCreary County, in cooperation with Scott County, Tennessee, formed the Rural Enterprise Community known as Scott-McCreary Area Revitalization Team (SMART) for the purpose of increasing economic development in these two counties. As part of this effort, McCreary County established a revolving loan fund, with funds passed through from the U.S. Department of Health and Human Services, to encourage economic growth by making available low-interest loans to eligible businesses in an amount up to 50% of the total project, or \$75,000, whichever is less. As the loan is repaid, the County may use the funds in a manner similar to their original use.

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CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

McCREARY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1999

Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
McCREARY COUNTY FISCAL COURT

June 30, 1999

The McCreary County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Name

County Judge/Executive


Name

County Treasurer